

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2014

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	3,874,410
Prepaid Expenses	11,623
Cash	2,057
Total Cash and Equivalents	3,888,090
Receivables:	
Member Contributions	44,679
Member Buy-Back Contributions	1,257
City Contributions in Transit	1,864,598
State Contributions	662,916
From Broker for Investments Sold	1,271,200
Commission Recapture	497
Investment Income	229,389
Total Receivable	4,074,536
Investments:	
U. S. Bonds and Bills	4,062,663
Federal Agency Guaranteed Securities	8,082,559
Corporate Bonds	9,459,079
Stocks	79,907,034
Hedge Fund of Funds	18,455,455
Municipal Obligations	98,440
Pooled/Common/Commingled Funds:	
Real Estate	5,185,608
Total Investments	125,250,838
Total Assets	133,213,464
<u>LIABILITIES</u>	
Payables:	
Benefit Payments	7,780
Investment Expenses	128,046
Administrative Expenses	7,715
To Broker for Investments Purchased	632,377
Prepaid City Contribution	204,046
Total Liabilities	979,964
NET POSITION RESTRICTED FOR PENSIONS	132,233,499

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
Market Value Basis

ADDITIONS

Contributions:

Member	1,157,025
Buy-Back	33,396
City	7,988,891
State	662,916

Total Contributions		9,842,228
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Investment Income:

Net Increase in Fair Value of Investments	12,346,313
Interest & Dividends	2,094,654
Less Investment Expense <sup>1</sup>	(646,708)

Net Investment Income		13,794,259
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Total Additions		23,636,487
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DEDUCTIONS

Distributions to Members:

Benefit Payments	7,864,797
Lump Sum DROP Distributions	2,031,838
Refunds of Member Contributions	9,250

Total Distributions		9,905,885
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Administrative Expense		109,957
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Total Deductions		10,015,842
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Net Increase in Net Position		13,620,645
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NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year		118,612,854
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End of the Year		132,233,499
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<sup>1</sup>Investment Related expenses include investment advisory, custodial and performance monitoring fees.

NOTES TO THE FINANCIAL STATEMENTS  
(For the Year Ended September 30, 2014)

Plan Description

*Plan Administration*

The Board of Trustees shall consist of five persons; two of whom shall be legal residents of the City of Hallandale Beach and who shall be appointed by the City Commission. One Member of the Board of Trustees shall be a police officer who shall be elected by a majority of police officers who are active members of the Plan. One member shall be a firefighter who shall be elected by a majority of the firefighters who are active employee members of the Plan. A fifth member of the Board shall be chosen by a majority of the previous four persons, and such person's name shall be submitted to the City Commission for appointment. The City Commission shall appoint the fifth member selected by the other four as ministerial duty.

*Plan Membership as of October 1, 2013:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	177
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	5
Active Plan Members	148
	<hr/>
	<u>330</u>

*Benefits Provided*

The Plan provides retirement, termination, disability and death benefits.

Normal Retirement:

Eligibility: Earlier of: 1) Age 52 with 10 years of Credited Service, or 2) the completion of 25 years of Credited Service, regardless of age.

Benefit:	Tier 1: 3.20% of Final Average Compensation for all years of Credited Service.	
	Tier 2: 3.00% of Final Average Compensation for all years of Credited Service.	□
Maximum Benefit:	Tier 1: 80% of Final Average Compensation.	
	Tier 2: 75% of Final Average Compensation.	

Additionally, any Police Officer who was not eligible for Normal Retirement or who had not completed 24 years of service as of March 20, 2013, or any Firefighter who was not eligible for Normal Retirement as of August 7, 2013 or who will not have completed 24 years of service as December 28, 2013 is subject to a \$95,000 annual maximum benefit, determined on the basis of the Normal Form of Benefit.

Early Retirement:

Eligibility: Age 45 with 10 years of Credited Service.

Benefit: Accrued benefit, reduced 6% per year that the benefit commencement date precedes age 52.

Vesting:

Less than 5 Years: Refund of Member contributions without interest.

5-10 years: Refund of Member contributions with 3% interest through the termination date.

10 or more years: Greater of a refund of Member contributions with 3% interest and the accrued benefit, payable at the Normal Retirement Date.

Disability:

Service Incurred: Covered from Date of Employment.

Non-Service Incurred: 10 years of Credited Service.

Benefit Service Incurred: 75% of Pensionable Earnings, less 64% of Social Security Disability Benefits received, further reduced by 33% of Workers' Compensation Benefits received, plus outside income to the extent that the sum of the Workers' Compensation Benefit and Disability Retirement benefit exceed 100% of Basic Compensation. In no case will the Disability Retirement Benefit be less than the greater of the accrued Normal Retirement Benefit and 42% of Basic Compensation.

Benefit Non-service Incurred: Accrued Benefit, less 64% of Social Security Disability Benefits received. In no case will the Disability Retirement Benefit be less than 25% of Final Average Compensation, nor more than 50% of Final Average Compensation as of the date of disability.

Pre-Retirement Death Benefits:

Service Incurred: Covered from Date of Employment.

Non-Service Incurred: 10 years of Credited Service.

Service Incurred Benefit: Accrued Benefit, but not less than 30% of Basic Compensation.

Non-Service Incurred Benefit: Accrued Benefit.

Cost-Of-Living Adjustments:

Retired Police Officers prior to March 20, 2013 and Retired Firefighters prior to August 7, 2013: 2% increase effective each January provided that the CPI-U is greater than or equal to 0.5% for the preceding 12 month period ending September 30, applied to Normal and DROP Retirees. The Health Care Stipend is not subject to the COLA.

Police Officers eligible for Normal Retirement or with 24 years of service as of March 20, 2013, and Firefighters eligible for Normal Retirement as of August 7, 2013, or will have completed 24 years of service as of December 28, 2013: 2.0% increase effective each January as previously described. However, these Members are subject to a limitation of eight (8) total adjustments.

All other Police Officers hired prior to March 20, 2013 and all other Firefighters hired prior to August 7, 2013: 2.0% increase effective each January as previously described. However, these Members are subject to a limitation of eight (8) total adjustments once the \$95,000 maximum annual benefit is realized. Also, these Members are not entitled to receive any adjustments while participating in the DROP.

Police Officers hired on or after March 20, 2013 and Firefighters hired on or after August 7, 2013: Not entitled to any automatic COLA structure.

*Contributions*

Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

## Investments

### *Investment Policy:*

The following was the Board's adopted asset allocation policy as of September 30, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	52.50%
International Equity	10.00%
Fixed Income	17.50%
Real Estate	5.00%
Hedge Funds	15.00%
<u>Total</u>	<u>100.00%</u>

### *Concentrations:*

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's fiduciary net position.

### *Rate of Return:*

For the year ended September 30, 2014 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 11.72 percent.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Deferred Retirement Option Program

Eligibility: Earlier of: 1) Age 52 with 20 years of Credited Service, 2) the completion of 25 years of Credited Service, regardless of age, or 3) the date when the maximum benefit is earned.

Participation: Not to Exceed 60 Months.

Rate of Return: Plan Earnings, less 0.5% per year for administrative expenses. A one-time election to credit DROP accounts with the valuation assumption for investment return has been allowed since 2002. Upon exit from the DROP, interest credit reverts to Plan earnings on DROP balances.

The DROP balance as September 30, 2014 is \$21,618,782.

## NET PENSION LIABILITY OF THE SPONSOR

The components of the net pension liability of the sponsor on September 30, 2014 were as follows:

Total Pension Liability	\$ 182,531,377
Plan Fiduciary Net Position	<u>\$ (132,233,499)</u>
Sponsor's Net Pension Liability	<u>\$ 50,297,878</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	72.44%

### *Actuarial Assumptions:*

The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions applied to all measurement periods.

Inflation	4.00%
Salary Increases	6.90%
Investment Rate of Return	7.75%

RP2000, Combined Healthy Mortality Table without projection. Disabled Members set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an actuarial experience study for the period 1990-2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.

These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	7.80%
International Equity	7.70%
Fixed Income	2.30%
Real Estate	6.90%
Hedge Funds	5.10%

Discount Rate:

The discount rate used to measure the total pension liability was 7.75 percent.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Sponsor's Net Pension Liability	\$ 68,501,187	\$ 50,297,878	\$ 35,107,069

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
Last 10 Fiscal Years

	09/30/2014	09/30/2013
Total Pension Liability		
Service Cost	2,068,244	1,919,484
Interest	13,484,951	13,065,637
Change in Excess State Money	-	-
Share Plan Allocation	-	-
Changes of Benefit Terms	-	
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	-	
Benefit Payments, Including Refunds of Employee Contributions	(9,905,885)	(9,540,860)
Net Change in Total Pension Liability	5,647,310	5,444,261
Total Pension Liability - Beginning	\$ 176,884,067	171,439,806
Total Pension Liability - Ending (a)	<u>\$ 182,531,377</u>	<u>\$ 176,884,067</u>
Plan Fiduciary Net Position		
Contributions - Employer	7,988,891	7,520,029
Contributions - State	662,916	620,891
Contributions - Employee	1,190,421	1,225,133
Net Investment Income	13,794,259	17,699,778
Benefit Payments, Including Refunds of Employee Contributions	(9,905,885)	(9,540,860)
Administrative Expense	(109,957)	(142,874)
Other	-	
Net Change in Plan Fiduciary Net Position	13,620,645	17,382,098
Plan Fiduciary Net Position - Beginning	118,612,854	101,230,756
Plan Fiduciary Net Position - Ending (b)	<u>132,233,499</u>	<u>\$ 118,612,854</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 50,297,878</u>	<u>\$ 58,271,213</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.44%	67.06%
Covered Employee Payroll	\$ 12,179,211	\$ 12,528,346
Net Pension Liability as a Percentage of covered Employee Payroll	412.98%	465.11%



**SCHEDULE OF CONTRIBUTIONS**  
Last 10 Fiscal Years

	<u>09/30/2014</u>	<u>9/30/2013</u>
Actuarially Determined Contribution	8,651,807	8,140,920
Contributions in Relation to the		
Actuarially Determined Contributions	<u>8,651,807</u>	<u>8,140,920</u>
Contribution Deficiency (Excess)	<u><u>-</u></u>	<u><u>-</u></u>
Covered Employee Payroll	\$ 12,179,211	\$ 12,528,346
Contributions as a Percentage of		
Covered Employee Payroll	71.04%	64.98%

Notes to Schedule

Valuation Date: 10/01/2012 (AIS 07/25/2013)

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method: Entry Age Normal Actuarial Cost Method  
Amortization Method: Level Percentage of Pay, Closed.  
Remaining Amortization Period: 30 Years (as of 10/01/2012).  
Asset Valuation Method: The Actuarial Value of Assets utilizes a five-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased-in over a five-year period.  
Inflation: 4.0% per year.  
Salary Increases: 10.0% for less than 10 years of Credited Service. For 10 or more years of Credited Service, the assumption is 4.5%.  
Interest Rate: 7.75% per year compounded annually,  
Payroll Growth: 4.24% per year for all bases created prior to 2011, 0.0% for all bases created thereafter.  
Cost-of-Living (COLA): 2% per year for Normal Retirement.  
Normal Retirement

<u>Number of Years after</u>	<u>Probability of</u>
<u>First Eligibility for</u>	<u>Retirement</u>
<u>Normal Retirement</u>	
0	50%
1	50%
2	100%

Early Retirement:	Upon attainment of Early Retirement eligibility (age 45 with 10 years of Credited Service), Members are assumed to retire at the rate of 15% per year.
Termination Rates:	See table below.
Disability Rates:	See table below. 75% of disabilities are assumed to be service incurred.
Mortality:	RP2000, Combined Healthy Mortality Table without projection. Disabled Members set forward 5 years.
Other Information:	Termination and Disability Rate Table.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	12.0%	0.14%
25	10.4%	0.15%
30	10.0%	0.18%
35	7.6%	0.23%

SCHEDULE OF INVESTMENT RETURNS  
Last 10 Fiscal Years

	<u>09/30/2014</u>	<u>09/30/2013</u>
Annual Money-Weighted Rate of Return		
Net of Investment Expense	11.72%	17.51%